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Message Text

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67
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 EB-07 OMB-01 COME-00 FEA-01 INT-05 OES-05

TRSE-00 CIEP-02 /089 W
---------- 078197
R 180017Z JAN 75
FM AMCONSUL VANCOUVER
TO SECSTATE WASHDC 1910
INFO AMEMBASSY OTTAWA

UNCLAS VANCOUVER 064

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJ: B.C./FEDERAL GAS TAX AGREEMENT

LOCAL SOURCES REPORT THAT AGREEMENT HAS BEEN REACHED BETWEEN BC AND CANADA FEDERAL GOVERNMENT ON ISSUE OF GAS TAXATION. DETAILS AGREEMENT EXPECTED TO BE ANNOUNCED SIMULTANEOUSLY IN OTTAWA AND VICTORIA JANUARY 20. AGREEMENT REPORTED CONTAIN PROVISION WHEREBY PROVINCIAL GOVERNMENT WOULD ASSUME ADDITIONAL TAX LIABILITY ON GAS PRODUCERS RESULTING FROM "FAIR MARKET VALUE" FEDERAL TAX ASSESSMENT MEASURES. PROVINCIAL GOVERNMENT WOULD PAY INCREMENTAL TAX DIRECTLY TO OTTAWA.

2. APPARENTLY NOT RESOLVED IS ISSUE OF GAS PRICE INCREASE. BC IS CLAIMING IT NEED ONLY ADVISE NEB OF PROPOSED INCREASE.

OTTAWA MAINTAINS IT MUST APPROVE ANY EXPORT PRICE INCREASES FOR GAS. (LAST TIME BC SOUGHT INCREASE PROVINCIAL GOVERNMENT PETITIONED NEB FOR PERMISSION TO INCREASE THE EXPORT PRICE. NEB SUBSEQUENTLY APPROVED REQUEST AND PRICE WAS RAISED.) NO INCREASE IN GAS PRICE EXPECTED IN ANY CASE BEFORE PROVINCIAL/ FEDERAL MEETINGS SCHEDULED FOR MAY.
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EM BC PREMIER BARRETT EXPRESSED DELIGHT WITH AGREEMENT AND SAID IT SHOULD CLEAR WAY FOR OIL COMPANIES TO BEGIN EXPLORATION DRILLING FOR NEW NATURAL GAS RESOURCES. HE ALSO STATED THAT HIS ORIGINAL PROPOSAL FOR REVENUE SHARING OF ADDITIONAL GAS PROFITS IS STILL A LIVE ISSUE. AN OIL COMPANY SPOKESMAN WAS NOT AS ENTHUSIASTIC SAYING THAT UNLESS DRILLING COMPANIES RECEIVE MORE MONEY (WHICH BARRETT IS STEADFASTLY AGAINST), THERE IS NO INCENTIVE FOR THEM TO BEGIN DRILLING IN BC.
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Message Attributes

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TAGS: ENRG, CA
To: STATE
Type: TE
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